Statutory Water & Sewer Connection Fee Credit System Offers Significant Savings for New Jersey Redevelopers

Client Alert

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On August 10, 2018, legislation impacting the assessment of water and sewer connection fees for redevelopment projects and affordable housing projects was adopted in New Jersey. The law has two parts, the first of which establishes a "credit system" for redevelopment projects under which qualifying properties will receive a credit for any previously paid connection fee that applies to their new redevelopment use. Thus, a redeveloper will pay only the difference (or the "delta") between the new connection fee and the previously-paid connection fee. The second prt of the legislation amends the statutory language that currently exists for connection fee reductions for certain types of affordable housing, extending it to encompass all types of affordable housing projects. The legislation affects county and municipal sewerage and water authorities and facilities.

The authors of this article played a major role in the drafting of the legislation, a continuation of the firm's longstanding interest in the idea of a connection fee credit system based on the "delta" of a connection fee. Several years ago, we had successfully implemented this concept for a redevelopment project at the former site of Anchor Hocking's glass manufacturing facilities in Aberdeen. The project site's former use as a glass manufacturing company meant that the historical water and sewer usage was very significant. Using the "delta" concept that is now the basis for the legislation's credit system, the firm was able to save our redeveloper client more than $1 million in connection fees.

After the success of the "delta" concept for the Aberdeen project, the firm worked closely with the New Jersey Builders Association, with the support of NAIOP, to draft legislation that would codify this credit system for all redevelopment projects. We worked to draft and refine the legislation, and participated in approximately three years of negotiation and discussion with the Association of Environmental Authorities to craft a mutually acceptable bill that would serve the dual purpose of aiding redevelopment efforts and equitably compensating

municipal authorities for connecting into their water and sewer systems.

This new legislation makes it easier for redevelopers and water/sewerage authorities to reach agreement on connection fee costs. Since the bill's 2018 passage, New Jersey redevelopers have enjoyed substantial reductions in connection fee costs due to the statute. For affordable housing projects in particular, the reduction in fees means that the money which would have gone to connection fees can either be reinvested in the project, improving it for the community, or can be used to sustain the financial viability of critically necessary affordable housing.

Here are some examples of anticipated future cost savings related to a number of pending projects throughout the state:

- K. Hovnanian expects that its connection fees for an inclusionary project in Cedar Grove will be reduced by approximately $135,000
- The Walters Group expects that its connection fees for an affordable housing project in Lumberton will be reduced by approximately $150,000
- Community Investment Strategies, Inc. expects that its connection fees for an affordable housing project in Galloway will be reduced by approximately $140,000
- Woodmont Properties expects that its connection fees for an affordable housing project in Washington Township will be reduced by approximately $65,000
- Woodmont Properties expects that its connection fees for an affordable housing project in Roxbury will be reduced by approximately $55,000
- The redeveloper of a project in southern New Jersey expects that its connection fees will be reduced by more than $1 million

With the connection fee legislation having already realized more than $1 million in savings for redevelopers, both water/sewer authorities and redevelopers are enthusiastically embracing the new legislation. This can only mean good news and help sustain an environment for redevelopment to continue thriving here in New Jersey.

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